

## Message Text

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ACTION XMB-07

INFO OCT-01 ARA-10 ISO-00 EB-05 DRC-01 AID-07 CIAE-00

FRB-01 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-01 SPC-03

CIEP-01 LAB-02 SIL-01 OMB-01 L-03 SCEM-01 /056 W

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R 161326Z NOV 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4320

INFO USDOC WASHDC

UNCLAS BUENOS AIRES 8378

E.O. 11652: N/A

TAGS: EFIN, BEXP, AR

SUBJECT: AGUA Y ENERGIA ELECTRICA PROJECTS

REF: A) BUENOS AIRES 6794; B) BA 7595

PASS EXIMBANK

1. BID DEADLINE (NOVEMBER 26) FOR \$40 MILLION EQUIPMENT TENDER BY A Y EE FOR RIO GRANDE PUMPED STORAGE PRJECT, FAST APPROACHING. DEADLINE FOR LUJAN DE CUYO \$50 MILLION THERMAL PLANT EQUIPMENT BID IS JANUARY 8, 1974. WHILE A Y EE OFFICIALS SAY THAT IN PRINCIPLE THEY WILLING TO CONSIDER EXIMBANK FINANCING FOR MACHINER, EMBASSY AND INTERESTED U.S. SUPPLIERS (GE AND ALLIS CHALMERS) HAVE BEEN UNABLETO OVERCOME RESERVATIONS OF THESE OFFICIALS IN CONNECTION WITH CERTAIN EXIMBANK LOAN CONTRACT REQUIREMENTS.

2. THESE RESERVATIONS HAVE TO DO MAINLY WITH MINISTRY OF FINANCE GUARANTEE REQUIREMENT, LEGAL JURIDICION CLAUSE GIVING U.S. COURTS AUTHORITY IN ANY DISPUTE OVER CONTRACT TERMS, AND CLAUSES WHICH RESTRICT FOREIGN BORROWER'S FREEDOM OF  
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ACTION (SUCH AS CLAUSES IN SUBPARAGRAPH C OF

ARTICLE 5 OF EXIM STANDARD AGREEMENT (THREE),  
MARCH 1, 1973.)

3. THESE OFFICIALS ARE AWARE OF DIFFICULTIES AND DELAYS IN OBTAINING EXIM FINANCING FOR OTHER PROJECTS BASED ON DISAGREEMENTS INVOLVING ABOVE POINTS. THEY ARE, OF COURSE AWARE THAT OTHER GOVERNMENT ENTERPRISES WHICH HAVE HAD SUCH DIFFICULTIES HAVE SUCCEEDED IN RESOLVING THEM. THEY ARE NOT SURE TO WHAT EXTENT EXIM MAY BE WILLING TO ACCOMMODATE THEM, AND ARE RELUCTANT TO RISK DELAYS.

4. THE EMBASSY'S ASSISTANCE HAS BEEN REQUESTED BY PROSPECTIVE U.S. SUPPLIERS WHO FEEL THAT, UNLESS A Y EE RESERVATIONS REGARDING EXIMBANK FINANCING CAN BE OVERCOME, THEY WILL LOSE OUT TO STRONG FOREIGN COMPETITION. WE AND THEY DOUBT THAT DISCUSSIONS BETWEEN EXIMBANK AND ARGENTINE EMBASSY IN WASHINGTON ARE LIKELY TO SOLVE THE PROBLEM WITH A Y EE AT LEAST WITHIN THE TIME FRAME WE ARE FACING.

5. EMBASSY FINDS ITSELF AT A DISADVANTAGE IN ATTEMPTING TO ADVISE U.S. SUPPLIERS AND CONVINCE A Y EE OF ADVANTAGES OF U.S. EQUIPMENT WITH EXIMBANK FINANCING SINCE WE ARE NOT UP TO DATE ON CURRENT EXIMBANK POLICIES TOWARDS ARGENTINA AND SPECIFICALLY TOWARDS FINANCING FOR ARGENTINE STATE OWNED ENTERPRISES.

6. WE ARE AWARE, OF COURSE, THAT EACH CASE IS AN INDIVIDUAL ONE WHICH EXIMBANK MUST HANDLE ON ITS OWN MERITS. WE THEREFORE FEEL WE ARE NOT IN A POSITION TO GENERALIZE FROM THE SPECIFIC CONTRACTS AND PC LETTERS WHICH EXIMBANK ROUTINELY SENDS US. WE WOULD APPRECIATE EXIMBANK INFORMING US AS SOON AS POSSIBLE WHETHER WE CAN INFORM A Y EE OFFICIALS THAT EXIMBANK NO LONGER REQUIRES MINISTRY OF FINANCE (NOW MINISTRY OF ECONOMY) COUNTER-GUARANTEE ON LOANS GUARANTEED BY THE ARGENTINE

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OFFICIAL BANKS. CAN WE INFORM A Y EE THAT THE PRINCIPLES OF THE PETROQUIMICA BAHIA BLANCA CONTRACT AND THE FABRICACIONES MILITARES CONTRACT CAN BE APPLIED TO POSSIBLE CONTRACTS WITH A Y EE? MORE SPECIFICALLY, WHAT CAN WE TELL A Y EE ABOUT THE LEGAL JURISDICTION PROBLEM AND THE ARTICLE 5 CLAUSES REFERRED TO ABOVE?

7. FINALLY, A Y EE OFFICIALS HAVE EXPRESSED THEIR APPREHENSION AT WHAT THEY CONSIDER OVERLY COMPLEX AND DEMANDING EXIMBANK "STANDARD" CONTRACT WHICH EMBASSY HAS PROVIDED THEM AT THEIR REQUEST (WITH APPROPRIATE CAVEATS). SOME OF REPORTING REQUIREMENTS (I.E. PROJECT PROGRESS REPORTS) THEY REGARD AS BURDENSOME AND INAPPROPRIATE FOR A CONTRACT WITH A GOVERNMENT ENTERPRISE. IS THERE ANY FLEXIBILITY IN THIS RESPECT?

8. SINCE A Y EE CONCERN ABOUT EXIM FINANCING SEEMS TO REVOLVE AROUND THEIR FEAR OF NOT BEING ABLE TO MEET OR ACCPET LOAN AGREEMENT STIPULATIONS, IT WOULD BE PARTICULARLY HELPFUL TO EMBASSY IF EXIM COULD CABLE US TEXT OF CONTRACT EXIM DEEMS SUITABLE FOR ASSISTING A Y EE WITH FINANCING FOR PROJECTS MENTIONED IN PARAGRAPH 1. THIS COULD BE DONE BY REFERENCE TO APPROPRIATE ADDITIONS OR DELETIONS TO STANDARD CONTRACT 3 OR SOME OTHER CONTRACT OF WHICH WE HAVE COPY.  
KREBS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
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**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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